

Tax Alert

New Mining Law

29 August 2014

The new Mining Law, Law n° 20/2014 and in force since 18 August 2014 introduces new licences and local content and processing rules, apart from increasing the State control and transparency in the mining activities.

Concessions and Licenses:

- ❑ Research licence is removed;
- ❑ Creates licences for Treatment and Processing and clarified the License for Commercialization of mining products.
- ❑ Introduced authorizations for (i) minerals for works of public interest; (ii) geologic research and (iii) removal of fossils and archeologic findings;
- ❑ Apart from the first arrived first served principle, will be considered proposals with better conditions, advantages and gain for the State at awarding of mining titles;
- ❑ Increase of the term for the title to small scale mining title (Mining Certificate) from two to ten years;
- ❑ Financial performance guarantee in terms to be regulated;
- ❑ Use, handling, storage and transport of explosives and radiative materials have to be according to Mozambique legislation and by companies with specific licence, requires previous approval.

The new law establish a stability clause for acquired rights awarded by concessions under the previous law. It further allow that concessionaires opt to be fully regulated as per the contents of the new law, provided this is duly informed within 12 months since entrance in force of the new law

Regulation to the law have to be approved in 90 days.

**For further information
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State Control and Transparency:

- Creates High Authority for Extractive Industry and the National Mining Institute, being this last one responsible for the guidelines related to participation in exploration, production, processing, import and export of mining products;
- Transfer of titles, rights and participating interests, including shares, according to the Mozambican legislation and subject to government approval and only after two years of awarding with application attaching the report of activities realized;
- New rules on revocation of titles;
- Awards competence to the Parliament to establish a management mechanism of the revenues from the mining resources;
- Public tender for mining activities and operations of certain areas;
- Possibility for the government to create areas reserved for mining activity;
- Promotion of geologic research;
- New rules on closure and environmental management of mines;
- Mining Contract have to be published in Official Gazette, internet and media;
- New regime of penalties with right to protection and reward in case of participation;
- Clarified State property over data produced under mining title in terms and conditions to be regulated.

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Local Content:

- Mining Contract with mandatory clauses on (i) State participation; (ii) minimal local content; (iii) local employment and professional training; (iv) incentives to minerals value added and (v) social responsibility, agreement with local communities and ways of their involvement;
- Treatment and processing of minerals in country when available and feasible;
- Possibility of the State request purchase of mineral products at market prices for the local industry always when commercial interest of the country justify;
- Progressive increase of the State participation in the mineral ventures;
- Mandatory partnership of foreign service suppliers with Mozambique individuals or corporate entities;
- Tenders for acquisition of goods and services from certain amount, with notice rules;
- Preference to local products and services;
- Promotion of the listing of the companies in the Mozambique Stock Exchange;
- Rules of hiring and professional training of Mozambicans staff;
- Previous mandatory information and consultation, compensation and re-location of local communities of petroleum operation areas by the companies, as well as allocation by the State of certain percentages of the revenues to the referred communities.
- Commercialization of mineral products not resulting from a mining concession only to Mozambicans;
- Mining Certificate and Tickets only for Mozambicans.

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